

## Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ISO-00 L-03 IO-14 NSC-05 AID-05  
CIAE-00 COME-00 FRB-01 INR-10 NSAE-00 ICA-20  
TRSE-00 XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01  
PA-02 SS-15 /112 W  
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R 091555Z JUN 78  
FM AMEMBASSY ABIDJAN  
TO DEPT OF TREASURY WASHDC  
INFO SECSTATE WASHDC 9111  
AMEMBASSY BAMAKO  
AMEMBASSY COTONOU  
AMEMBASSY LOME  
AMEMBASSY MBABANE  
AMEMBASSY VICTORIA

UNCLAS SECTION 1 OF 2 ABIDJAN 5526

E.O. 11652: N/A  
TAGS: AFDF, EAID, EFIN  
SUBJ: AFRICAN DEVELOPMENT FUND (AFDF) BOARD  
OF DIRECTORS MEETING, JUNE 7, 1978

SUMMARY: AFRICAN DEVELOPMENT FUND BOARD OF  
DIRECTORS MET JUNE 7, 1978 APPROVING FOUR LOANS:  
MALI MARKALA-NIONO ROAD (FUA 8.5 MILLION);  
SWAZILAND MKONDO RIVER-MAHAMBA ROAD (FUA 8.0  
MILLION); TOGO SOKODE-BASSAR ROAD (FUA 5.0  
MILLION); AND SEYCHELLES EDUCATION PROJECT  
(FUA 2.5 MILLION). MANAGEMENT WITHDREW A FIFTH  
LOAN FOR BENIN LIVESTOCK DEVELOPMENT PROJECT  
(FUA 4.5 MILLION) PENDING FINAL NEGOTIATION OF  
LOAN AGREEMENT WITH GOB. BOARD CONSIDERED  
AND AMENDED DRAFT SECOND GENERAL REPLENISHMENT  
RESOLUTION TO CALCULATE VOTING RIGHTS QUARTERLY  
ON FIRST OF FEBRUARY, MAY, AUGUST AND NOVEMBER  
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OF EACH YEAR. BOARD APPROVED MANAGEMENT REQUEST  
TO ALLOCATE ADDITIONAL FUA 72 THOUSAND FOR EXPENSES  
ASSOCIATED WITH IMPLEMENTATION OF PRICE WATERHOUSE  
RECOMMENDATIONS ON STRENGTHENING FUND'S DISBURSE-  
MENT PROCEDURES. NEXT REGULAR SESSION OF BOARD  
SCHEDULED FOR JUNE 29, 1978. END SUMMARY.

1. PROJECTS: AFDF BOARD OF DIRECTORS APPROVED FOUR LOANS FOR PROJECTS IN MALI, SWAZILAND, TOGO AND SEYCHELLES. MANAGEMENT WAS SEVERELY CRITICIZED BY MEMBERS OF BOARD FOR DELAYS AND CONFUSION IN EXECUTION OF TOGO PROJECT AND FOR BASING INITIAL COST ESTIMATES ON INCOMPLETE AND ERRONEOUS DOCUMENTATION. NEVERTHELESS, BOARD APPROVED SUPPLEMENTARY FINANCING BECAUSE IT WAS FELT THAT GOT HAD TAKEN ALL POSSIBLE STEPS TO MEET COST INCREASES PRIOR TO REQUESTING ADDITIONAL AFDF FINANCING. BOARD REGARDED PROJECT AS IMPORTANT TO COUNTRY'S ECONOMIC DEVELOPMENT AND FELT THAT GOT SHOULD NOT BE PENALIZED FOR PROBLEMS CAUSED IN PART BY AFDF MANAGEMENT. AFDF BOARD CHAIRMAN ACCEPTED CRITICISM AND OFFERED TO CONDUCT A THOROUGH REVIEW OF AFDF'S HANDLING OF PROJECT'S IMPLEMENTATION AND PROMISED TO SUBMIT HIS FINDINGS TO THE BOARD AT ITS JUNE 29 MEETING. DURING COURSE OF DISCUSSION ON PROJECT U.S. ALTERNATE EXECUTIVE DIRECTOR STATED INTENTION TO OPPOSE ALL LOANS FOR COST OVERRUNS CAUSED BY AVOIDABLE ADMINISTRATIVE DELAYS ON THE PART OF EXECUTING AGENCIES. MANAGEMENT WITHDREW BENIN PROJECT TO ALLOW ADDITIONAL TIME TO NEGOTIATE TERMS OF LOAN AGREEMENT WITH GOB. USAED REQUESTED THAT PROJECT BE REAPPRAISED AND PERHAPS COMPLETELY UNCLASSIFIED

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RESTRUCTURED BEFORE IT APPEARS AGAIN ON BOARD AGENDA. USAED AND U.K. DIRECTOR EXPRESSED STRONG DOUBTS AS TO VIABILITY OF PROJECT. FORDWOR SUGGESTED THAT USAED AND U.K. DIRECTOR MEET WITH MANAGEMENT TO DISCUSS POSSIBLE COURSES OF ACTION ON PROJECT.

2. SECOND GENERAL REPLENISHMENT RESOLUTION: BOARD CONSIDERED DRAFT RESOLUTION AND DECIDED TO RECOMMEND THAT VOTING RIGHTS BE CALCULATED QUARTERLY. U.S. PROPOSAL TO CALCULATE VOTING RIGHTS SIX TIMES EACH YEAR WAS OPPOSED BY BOARD MEMBERS, HOWEVER BOARD AGREED TO U.S. PROPOSAL THAT VOTING RIGHTS BE CALCULATED "ON THE FIRST OF FEBRUARY, MAY, AUGUST, AND NOVEMBER OF EACH YEAR FOLLOWING THE COMING INTO EFFECT OF THE

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/109 W

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INFO SECSTATE WASHDC 9112  
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RESOLUTION, BUT NO EARLIER THAN 1 AUGUST 1979."  
BOARD OF DIRECTORS REPORT WHICH WILL ACCOMPANY  
RESOLUTION IS STILL IN PREPARATION AND WILL BE  
DISTRIBUTED WEEK OF JUNE 11. FINAL DRAFT OF  
RESOLUTION AND REPORT WILL THEN BE SUBMITTED  
TO CAPITALS FOR COMMENT. BOARD OF DIRECTORS  
PLANS TO FORMALLY RECOMMEND RESOLUTION TO BOARD  
OF GOVERNORS AT JUNE 29 SESSION.

3. IN PREPARED STATEMENT, JAPANESE DIRECTOR  
WITHDREW HIS GOVERNMENT'S RESERVATION PERTAINING  
TO METHOD OF ASSIGNING VOTING RIGHTS. HE STATED  
THAT HIS GOVERNMENT WOULD STILL PREFER THAT VOTES  
BE ASSIGNED ON BASIS OF SUBSCRIPTION RATHER THAN  
ON PAYMENT, BUT STATED WILLINGNESS TO PRESERVE  
CONSENSUS OF OTHER DONOR STATES. DIRECTOR STATED  
THAT GOJ DID NOT REGARD THIS AS A PRECEDENT TO BE  
FOLLOWED IN OTHER INSTITUTIONS AND IN THIS REGARD  
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HE RECALLED, THAT IN HIS STATEMENT IN LIBREVILLE,  
MR. BERGSTEN HAD ACKNOWLEDGED THAT THE AFDF IS  
UNIQUE IN TERMS OF ITS VOTING STRUCTURE.

4. PRICE WATERHOUSE RECOMMENDATIONS: BOARD APPROVED

A MANAGEMENT REQUEST TO PROVIDE AN ADDITIONAL FUA 72 THOUSAND FOR EXPENSES ASSOCIATED WITH IMPLEMENTATION OF PRICE WATERHOUSE STUDY ON FUND DISBURSEMENT PROCEDURES BRINGING TOTAL ALLOCATION TO FUA 172 THOUSAND. INITIAL ESTIMATE OF FUA 100 THOUSAND INCLUDED IN CY 1978 ADMINISTRATIVE BUDGET WAS INADEQUATE TO COVER COST OF AGREEMENT SIGNED WITH PRICE WATERHOUSE, WHEREBY P.W. ASSIGNED A PROJECT MANAGER AND AN INTERNAL AUDITOR TO ABIDJAN FOR A PERIOD NOT EXCEEDING ONE YEAR. INITIAL COST ESTIMATES SHOULD HAVE BEEN US\$ 149 THOUSAND. MANAGEMENT NOW WANTS TO EXTEND LENGTH OF P.W. MISSION FOR AN ADDITIONAL EIGHT WEEKS, AND EXPAND SCOPE OF CONTRACT TO INCLUDE SPECIAL MISSIONS TO ABIDJAN BY P.W. EXPERTS BASED IN LONDON. TEN SUCH MISSIONS ARE ANTICIPATED EACH LASTING TEN DAYS. TOTAL COST OF PACKAGE IS US\$191,400.

5. OPENING OF BANK TO NON REGIONAL MEMBERSHIP: IN INFORMAL SESSION FOLLOWING BOARD MEETING, AFDB PRESIDENT FORDWOR STATED INTENTION TO VISIT SIX NON REGIONAL CAPITALS TO DISCUSS TERMS OF OPENING BANK WITH RESPONSIBLE OFFICIALS. HIS INTENDED SCHEDULE IS AS FOLLOWS: OTTOWA, JULY 4; WASHINGTON, JULY 6; BONN, JULY 10; PARIS, JULY 12; LONDON, JULY 14; AND TOKYO TENTATIVELY JULY 22 OR 24. HE INTENDS TO CONSULT WITH REPRESENTATIVES OF NORDIC UNCLASSIFIED

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COUNTRIES AT A LATER DATE. DURING HIS VISIT TO WASHINGTON HE PLANS TO CONSULT WITH MANAGEMENT OF INTER-AMERICAN BANK REGARDING THEIR EXPERIENCES IN OPENING OF CAPITAL TO NON REGIONAL MEMBERS. FORDWOR SAID THAT HE HOPES TO CONDUCT THE FIRST ROUND OF MULPLATERAL DISCUSSIONS ON OPENING OF THE BANK IN WASHINGTON AROUND THE TIME OF THE IBRD/IMF ANNUAL MEETINGS. STEARNS

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